

CHINESE STRATEGIC DEVELOPMENT: REGIONAL DOMINANCE THROUGH GLOBAL INFLUENCE

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USAWC STRATEGY RESEARCH PROJECT

**CHINESE STRATEGIC DEVELOPMENT: REGIONAL DOMINANCE THROUGH
GLOBAL INFLUENCE**

by

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The People's Republic of China is engaged in a global campaign that is designed to achieve eventual dominance in the Pacific Rim replacing the United States as the preeminent power in the region preventing American engagement. If left unchecked, this poses a threat to both the United States and our allies in Asia. The ability to maintain effective engagement throughout the region is essential to U.S. national security. Research has revealed that while the Chinese campaign is global, it is specifically designed not to present a military threat toward the United States at the present time. Instead, it builds on other elements of national power to establish a global base from which to counter U.S. influence in international forums. Recommendations are presented that propose alignment of all elements of U.S. national power to mitigate the developing threat from China and, potentially find common ground from which to forge a relationship wherein both nations can peacefully coexist, if not as friends, at least as nonbelligerent competitors.

CHINESE STRATEGIC DEVELOPMENT: REGIONAL DOMINANCE THROUGH GLOBAL INFLUENCE

China is the theater of the greatest movement now taking place on the face of the globe. In comparison with it, the agitation in Russia shrinks into insignificance. ...It promises nothing short of the complete renovation of the oldest, most populous and most conservative of empires."

—W.A.P. Martin,
The Awakening of China, 1907

As the first decade of the 21st Century draws to a close, the People's Republic of China is rapidly beginning to emerge as a capable and determined player on the world stage. Recognized as a potential competitor and eventual great power, China is starting to come into its own. It remains to be seen whether its evolving prowess spurs greater economic development and fires a competitive zeal in the international arena allowing the fulfillment of the nation's potential.

Analysis of current trends and policies provides an indication of China's long-term objectives but surely no definitive answer. To understand China in the present, it is essential to comprehend her past. It is essential to examine the facts objectively and sift out the myth, wishful thinking, and misinformation which are so prevalent today.

The People's Republic of China is not an all-powerful Goliath bent on World domination. China is a precariously balanced power with monumental problems at home and developing challenges abroad. It has a repressive single party system of governance that allows no opposition or means of public accountability.¹ Corruption permeates every level of society.² China's dynamic economy is building a large middle class, but is wreaking havoc with the country's environment and leaving large swaths of the populace behind. China is experiencing a rapid shift from an agrarian society to an

urban one without the safeguards and social networks necessary to sustain such a shift over time.

China does not have the capability to become a global military power that projects large combat forces beyond her borders in the near term. It does, however, have both the will and the capacity to leverage its current military capabilities with its diplomatic prestige and economic power to influence global events and check the unrestrained use of power and politics by the United States and other more developed countries. In doing so, China is quickly building the foundation necessary to solidify its access to essential natural resources while simultaneously opening new economic markets, thus extending its reach abroad.

China's diplomatic, military, and economic efforts have been carefully designed to provide China with the capability to play a dominant role in the Pacific Rim. China's global effort has sought to isolate Taiwan, marginalize U.S. influence around the world, and enhance Beijing's ability to conduct an independent Chinese policy free from American interference. This effort is carefully crafted, self-effacing package designed to mitigate the risk of open confrontation with the United States and its allies.

Analysis of the Threat

The modern People's Republic of China is the product of evolution, revolution, and war that dates from the collapse of the Qing Dynasty on 12 February 1912.³ Twentieth century China, until 1949, was an often violent struggle of competing ideas between the Nationalists of Chiang Kai Chek and the Chinese Communist Party of Mao Zedong. During the 1937-1945 Sino-Japanese War the parties both fought in cooperation against Imperial Japan—a period that left 15 to 35 million Chinese dead, 80

million refugees, and a devastated country.⁴ With the defeat of the Japanese in 1945, a civil war erupted that ended in 1949 with the flight of the Nationalists to Taiwan and the establishment of The People's Republic of China.⁵ From 1949 to the present, China has continued to evolve from a hard line, often violent, and isolated communist state under Mao Zedong, to a more progressive, open, and modern state under Deng Xiaoping, Jiang Zemin, and Hu Jintao.⁶ The process has been slow, secretive, and is far from complete. To understand the China of today, it is helpful to analyze the Chinese from the perspective of the elements of national power. These provide perhaps the best clue as to where China's rulers intend to take their nation in this century.

Diplomatic. The successes of Chinese diplomats, often measured in parallel with advances in Chinese business interests, should not be lightly discounted. Their record of achievement, particularly in the developing world, serves to extend further China's global credibility while strengthening its regional position. China, like most large powers, depends on its links with other nations, such as the oil rich countries of the Persian Gulf, and others like Pakistan, Bangladesh and Myanmar to gain and maintain access to energy and other resources necessary to fuel its expanding economy.

China recognizes the danger a confrontation with the United States would pose to Chinese energy supplies and is making a concerted effort to secure the supply line stretching from the Middle East through the Straits of Malacca. Chinese leaders realize that they cannot be solely dependent on the United States Navy to provide supply line security given the possibility of a regional conflict between the two nations. As a result, they are taking increasingly progressive steps to develop and project Chinese naval power into the region.⁷ Their development of basing and access agreements along the

supply line combined with a naval modernization program is just one indication of China's multilateral approach to securing its national requirement for energy and security.

China defines multilateralism differently from the West. According to Mark Leonard, in the West it is seen as a “dilution of national sovereignty” where compromises give power to international organizations like the World Trade Organization. The Chinese, however, see it as a tool of national power projection which allows China to “develop links with other Asian nations that exclude the USA.”⁸ In this same vein of thought is China’s concept and acceptance of asymmetric warfare. Normally associated with insurgencies, the Chinese are prepared to apply such tactics on a global scale. Their strategists understand the need to use their military power, financial assets, and international law against the United States, thereby avoiding direct conventional military confrontation.⁹

The large and steady expansion of the Peoples Liberation Army (PLA), Peoples Liberation Army-Navy (PLA-N) and the Peoples Liberation Army-Air Force (PLA-AF) since the mid-1990’s, combined with an aggressive diplomatic push around the world to isolate Taiwan and secure access to natural resources across the globe, has been a carefully crafted and coordinated effort. It capitalizes on China’s emerging ability to conduct credible global diplomacy and its exercise of soft power, which the Chinese see as an emerging national strength. China has begun to exercise what Leonard calls, “Listening Diplomacy.” This is the concerted effort on the part of China to engage in a type of multilateralism that works to “harmonize relationships with its neighbors, the EU and the developing countries of other regions.”¹⁰ In other words, China listens to the

wants and needs of others, makes appropriate concessions and acts to achieve success. Chinese scholars such as Yan Xuetong, Director of the Institute of International Studies at Tsinghua University, see China's method as an alternative to the perceived unilateral military actions of the United States. Yet, he also understands the dangers, recognizes the risk, and articulates the argument that no great nation has ever risen in peace.¹¹

With 22,000 kilometers of land borders touching 14 countries, China understands the need to work with its neighbors. Few of these neighbors are as economically developed or militarily as strong as China; Russia is the lone exception. China negotiates and makes concessions to keep harmony. According to Susan L. Shirk, "What distinguishes the Chinese approach is its willingness to accommodate the interests of its neighbors in order to build trust and increase Chinese influence."¹²

Information. Combining a truly Chinese recipe for success with an effective information campaign, China presents itself as a responsible player to a skeptical world. According to Shirk, China has sculpted a model for representing itself responsibly by accommodating its neighbors, being a team player in multilateral organizations, and using economic ties to make friends.¹³

This effort has allowed continued expansion of its role in Asia without significantly raising the concerns of most of its neighbors. Interestingly, as Chinese influence has increased, both India and Japan have developed the view that China intends to keep both nations in a second-class status. Both nations view China as an emerging threat and have made overtures toward strengthening ties with the United States as a counterbalance.¹⁴

Elsewhere, China is effectively engaging the developing world through the use of soft power, and promoting the idea of the “China Dream” first laid out in an April 2006 Beijing conference. This launched a global campaign promoting the linking of the People’s Republic of China with three ideas: economic development, political sovereignty, and international law.¹⁵ The resonance of this message is effective among developing nations where, in Leonard’s view, China is seen as both a model and a champion for the world’s poorest countries.

Military. The People’s Republic of China is in the process of the largest peacetime military build-up in its history. It is coordinating its modernization effort with diplomatic and trade efforts focused on securing access to natural resources essential for fueling its economy, which, in terms of size, is the world’s second largest. In September 2008 it had a balance of trade of \$29.3 billion and foreign cash reserves of \$1.8 trillion.¹⁶ These are remarkable achievements by any standard; they are also a reason for caution because such resources allow tremendous flexibility for developing military power and modernizing military forces.

China, for now, refuses to confront American military power in the Pacific head on, and there is no clear indication that this is an eventual goal. As stated by the former Director of the Central Intelligence Agency, Michael V. Hayden, “The Chinese have fully absorbed the lessons of both wars in the Persian Gulf. They’ve developed and integrated advanced weaponry into a modern military force.”¹⁷ Yet he suggests this development may well be as much about projecting strength as it is a threat to the United States.¹⁸ Chinese policy makers have shown a preference to compete largely in the nonthreatening areas of statecraft, specifically economics and diplomacy. By

promoting trade, immigration, and investment throughout the region, and solidifying relations with many of America's allies, China is using its global economic and diplomatic reach to set the conditions for it to replace the United States as the preeminent regional power in Asia.¹⁹ This serves to undermine American military strategy in the Pacific while avoiding direct confrontation.

Chinese military planners unquestioningly see the United States as the greatest potential threat to China's global interests, both in the near term and in the future.²⁰ China continues to steadily build her military capability and has maintained a growth rate in her defense budget of over 10% per year since 1997.²¹ This is in line with Chinese thought that views advanced military power as being an essential element of attaining great power status.²² The implications are at least troubling because they "reinforce long-held concerns about Chinese intentions toward Taiwan."²³

Just as diplomatic means to limit Japan's military aspirations through arms control treaties in 1922 and 1930 ultimately failed, it is unlikely China will be easily restrained.²⁴ The American intelligence community, according to James Lee, assesses that any Chinese government, even one that is democratic, would have similar nationalistic goals, and that it would continue to expand and modernize its military, whether or not the Taiwan question existed.²⁵ The People's Republic of China has arrived on the world stage as a credible diplomatic, economic, and now military power with a developing grand strategic vision of its role in Asia, a vision that seeks largely to exclude the United States from the region. The Chinese have a clear plan for making this vision a reality and a growing internal awareness of a need to play a responsible role on the world stage.²⁶

Economic. The People's Republic of China, since the death of Mao in 1978, has become increasingly reliant on international trade. China is one of the fastest growing economies on the planet, sustaining an average growth rate of 9.9 percent per year for over a decade.²⁷ In 2007, China's total gross output accounted for 11 percent of the gross world product.²⁸ China clearly understands the importance of its geography and the advantages and perils of being in the center of the Asian landmass. Looking out instead of in, as often has been the case in its history, China also understands the importance its neighbors play in maintaining its security.²⁹ The government has chosen economic growth as the means to maintain security and enhance the nation abroad, but success isn't assured. Beijing's policies, when put under scrutiny, have significant issues that are not easily addressed:

- Current unemployment figures are now only 3 to 4 percent, but it is estimated that the labor force participation rate is only 65 percent.
- According to World Bank figures, actual GDP will not meet potential GDP in either 2008 or 2009 as a result of the slowing global economy and will likely achieve only 7.5 percent, the lowest in 20 years.³⁰

These indicators are troubling for two reasons. First, the contraction in the economy is already being seen throughout the country, particularly in the South, where thousands of small exporting firms have disappeared.³¹ This indicates not only a large number of lost jobs but potentially an extended disruption in Chinese exports. Secondly, at a 7.5 percent growth rate, China's economy cannot create the numbers of jobs it needs each year to keep unemployment steady, incomes stable, and the economy strong.³² If the leveling of growth is protracted or if the government doesn't correct the trend, the

danger of social unrest among the affected populace increases. This poses a potential threat to the stability of the government and the long-term viability of the Chinese economy which has global implications. Clearly, Beijing takes this seriously and has demonstrated a willingness to intervene as signaled by China's announced two year, \$586 billion stimulus package to stabilize its economy in light of the current global fiscal crisis.³³

Economic growth is the key to China realizing its ambitions, a reality that Beijing fully comprehends. According to Hayden, "China faces some fundamental structural weaknesses: things like uneven income distribution, growing dependence on foreign oil and other imported resources, environmental degradation, an aging population, [and] massive migrations from rural areas to cities."³⁴ These are all issues that the Chinese leadership needs to address.

America's Changing Role

The years of the Cold War posed multiple challenges for the United States and her allies that were recognized, faced, and ultimately overcome. Since 1991 and the fall of the Soviet Union, the United States has failed to identify China as a major external threat or to formulate a cogent national strategy to address it. For over three decades, the United States has continued to promote and assist the economic resurgence of China through trade and the exchange of technology. In Hayden's view, this has been a largely peaceful engagement.³⁵ Only recently has the United States started to acknowledge a growing military capability that could pose a threat to regional allies and global stability in the Pacific Rim. Routine engagement and meetings of senior leaders, while effective for keeping the door open, have not slowed China's military buildup,

which has continued at a growth rate of 11.8 percent per year (adjusted for inflation) for over a decade.³⁶

Increasingly hostile rhetoric, such as expressed in 2005 by PLA General Zhu Chenghu to foreign correspondents in prepared remarks, serve as a thinly veiled warning of China's intentions if "the Americans draw their missiles and position-guided ammunition onto the target zone on China's territory, I think we will have to respond with nuclear weapons. We Chinese will prepare ourselves for the destruction of all the cities east of Xian. Of course, the Americans will have to be prepared that hundreds of cities will be destroyed by the Chinese."³⁷ Coupled with growing global influence, China's ambitious regional aims represent a challenge to the United States.

The United States currently stands alone as the only great power capable of largely controlling almost at will—with or without international support—the economic, military, and technological base necessary to realize its strategic interests. As current events have proven, this power is not absolute nor is it infallible. In a globalized world, the United States is vulnerable. In the near term, the changing character of China's military and its growing economic power may drastically alter the regional balance of power in Asia, a change that is beginning to take shape.

The Changing Face of Asia

In the seven years since the start of Operation Enduring Freedom and the advent of Operation Iraqi Freedom just over a year later, the paradigm of American supremacy in Asia has begun to change. The carefully crafted alliances critical to regional stability throughout the Cold War began to languish, leaving long-time friendships vulnerable to outside influence. China has developed a substantial regional military presence and is

developing into a credible competitor to the United States. As CIA Director Hayden states, “In my view, China’s behavior in the international realm is focused almost exclusively on narrowly defined Chinese objectives.”³⁸ Through skillful diplomacy, global trade, an expanding economy and focused policy decisions aimed at solidifying the Communist Party’s hold on power, China has become a significant player on the world stage. It appears that China’s aim is to establish regional military dominance to safeguard against the U.S. presence, to develop global diplomatic credibility, and to expand influence through legitimate trade and diplomacy backed by a growing military capability.

In its quest to satiate its ever growing hunger for resources, China appears to have embarked on a strategy of economic containment of the United States. Whether deliberate or coincidental, this strategy does pose a threat to U.S. interests as China seeks ways to challenge American military and economic power without provoking a direct confrontation. While China’s approach is not containment in the Cold War sense, China has skillfully used diplomacy and economic leverage to establish greater influence in Africa, the Caribbean, Latin America, and the Pacific.

China continues to invest heavily throughout Asia which further isolates Taiwan from traditional trading partners in the region.³⁹ Many of these same countries in which China invests are also allies of the United States. This further complicates the relationship for the United States in both Asia and the Taiwan Straits, a potential flash point between the United States and China.

China’s growing demand for energy should be a concern to the United States but may ultimately pose an opportunity for cooperation between the two powers. China’s

booming economy has pushed her into becoming one of the largest energy consumers on the planet. To secure access to energy resources to fuel continued growth, China is pursuing deals with the oil producing nations of the Middle East in the form of greatly expanded trade with the Gulf Cooperation Council countries, though this is still relatively miniscule in relation to U.S. trade in the same market.⁴⁰

China is also actively courting strong trade relations with Latin America. In December 2005, Venezuela agreed to supply China with 120,000 barrels of fuel oil per month, allow access to its oil reserves and allow China to invest some \$400 million to develop Venezuela's oil and gas industry.⁴¹ China continues to seek opportunities in the Americas exploring trade and energy deals with Canada, Chile, Brazil, Bolivia, and Argentina. These developments suggest China's global influence strategy and pose a challenge and a potential threat much closer to home for Washington.

Japan, a staunch ally of the United States, has continued to bolster its stature on the international scene as well. By championing regional and international trade, providing economic assistance, and engaging in widespread participation in the United Nations, Japan maintains a strong economic and diplomatic presence throughout Asia and much of the world. Despite longstanding tensions, China supplanted the United States as Japan's largest trading partner in 2004.⁴² Yet, decades old disputes over territory and Japan's World War II occupation of China still linger and spur confrontation over energy resources in the Chunxiao Gas Field and areas of the South China Sea claimed by Japan, China and Taiwan. This tension was highlighted in December 2004 in a Japanese announcement specifically defining China as a potential security threat and in the 19 February 2005 joint statement with the United States declaring multiple

common strategic objectives; among these specifically was the peaceful resolution of the China/Taiwan issue.⁴³

The Republic of Korea, the thirteenth largest economy in the world and a key U.S. ally in Northeast Asia, assumed China as its top trading partner in 2004.⁴⁴ This presents another challenge and potential opportunity for the United States, which has guaranteed the Republic of Korea's safety since the end of hostilities on the peninsula in 1953. Seoul, riding on the successful bilateral trade agreements made with Chile in 2004 and with Singapore in 2005, brokered the first Asian bilateral agreement with Washington in June 2007.⁴⁵ This gave the Korean economy a significant boost and sent a powerful message to its regional competitors, China and Japan.

Even Russia has gained a solid foothold in the region. Through expanded weapons sales to India, Indonesia, and China, among others, Russia is strengthening its military presence in Asia. They have apparently found a willing partner in China as demonstrated during the large-scale bilateral military exercise dubbed "Peace Mission 2005," held during August 2005.⁴⁶ This followed People's Republic of China State Councilor Tang Jiaxuan's pronouncement, during the visit of Russian President Vladimir Putin in February 2005, that China considers Russia its main partner for strategic cooperation.⁴⁷ He emphasized that this was the first time China had established national security consultations with a foreign government.

Changes in Asia are rapid, broad based and seem to be moving toward a China centric position as demonstrated by China's effort to form an East Asian Community, a forum of nations not unlike the European Union, comprised of a number of U.S. allies. Presently, the momentum is economic. The potential threat is that as China's military

continues to grow and modernize, this momentum may no longer be negotiable for countries involved. To date, there has been little discussion to demonstrate the impact on world markets of the evolution of Asia into a community of nations led by China.

The community includes 16 Asian countries, including the ten which comprise the Association of Southeast Asian Nations (ASEAN), plus Japan, South Korea, India, Australia, and New Zealand, but quite pointedly it excludes the United States.⁴⁸ China looks to assume a principal role and even Russia attended the December 2005 summit as an invited observer.⁴⁹ This is only the latest in China's high profile advances in Asian economic and diplomatic circles which raise strategic concerns for the United States as its allies expand trade relations with China and Taiwan becomes more isolated.

Asia has also been influenced by terror during the last seven years. Many of the terror networks currently in operation throughout the region are influenced or backed by Islamic transnational terrorists affiliated with Jemaah Islamiya, the Asian partner of Al Qaeda. This violent movement poses a continuing security threat to East Asian security and stability.⁵⁰ Across Asia, political strife, corrupt, repressive or dysfunctional central governments, and religious fervor all play a role. The terror networks recruit their fighters from the marginalized masses, many of whom are looking for something better in their lives.⁵¹ Radical Islam, capitalizing on the literal faith of believers, corrupts their ideals with promises of paradise. Terrorists befriend, recruit, and indoctrinate among the disenfranchised and impoverished. The teeming populations of Bangladesh, the underprivileged of Cambodia, the disaster stricken survivors of natural disasters in Indonesia—all become potential fodder for the extremist movement.

Confronting terror in Asia has presented an inroad for increased cooperation between the United States and China since the September 11, 2001, attacks on the United States. The two nations have increasingly worked toward improving cooperation on law enforcement, designation of terrorist organizations, non-proliferation of weapons of mass destruction, the container security initiative, and increased military-to-military contacts among the most prominent.⁵²

An Evolution of Thought

There is an ongoing argument among Chinese strategic thinkers and policy makers that is trying to deal with how China emerges as a great power. The most conservative, among them Yan Xuetong, argue for containment of the United States, Japan, and Taiwan, which conservatives see as the cause of China's troubles and as impediments to its continued progress.⁵³ The liberal internationalists, represented by Zheng Bijian, back a peaceful rise of China that focuses on integrated globalization, market creation, and the expansion of economic opportunity, rather than a focus on becoming a hegemonic power like the United States.⁵⁴ The conservatives accuse the liberal internationalists of appeasement and forfeiting opportunity to the United States and others.⁵⁵ It must be understood that the positions of both camps, liberal and conservative, are defined from a Chinese perspective and do not necessarily correspond to the traditional American understanding of the terms.

Both of these arguments are seen as extremes by the mainstream foreign policy thinkers in China. Shirley Kan emphasizes that the pragmatists oppose the conservative penchant for flaunting Chinese power. Likewise, they view the liberal internationalist's "Peaceful Rise of China" proposal as incomplete and immature as a concept because it

lacks the means to adequately reassure the world that China's intentions are indeed peaceful.⁵⁶ In their view, China should be modest about its power and avoid controversy. They believe that the focus must remain on economic and social development.⁵⁷ According to Leonard, the parties to this argument have taken the three most prominent Western views against globalization and its subjugation of national sovereignty and have turned the argument into one promoting the rise of Chinese nationalism.⁵⁸

The present economic trouble afflicting the world economy may, to an extent, pose an opportunity to moderate Chinese positions. Not only has it quickly demonstrated the interdependence of the globalized economy, it has shown that even China is vulnerable in the global market. The United States has an emerging opportunity to take a leadership role in engaging China and other Asian nations and take a more active role as a Pacific Rim nation.

To achieve success, the United States will need to engage in a diplomatic effort that emphasizes multilateral economic and security discussions with Pacific Rim nations and other partners in order to alleviate Chinese suspicions. Engaging the United Nations and other regional and international organizations to address threats to global instability, including market instability, energy and water resources, food production, transnational criminal and terror threats, nuclear proliferation, natural disasters, and pandemic threats are just some of the areas that provide common ground. Domestically, the United States will need to examine closely and, where necessary, realign national priorities to mitigate emerging risks and remain open to compromise to achieve national objectives.

The United States must be willing to initiate open and frank bilateral and multilateral discussions with allies and partners being courted by China on trade and security issues. Where necessary, the United States must have the will to counter overt Chinese efforts (whether direct or through proxies) to undermine vital interests and protect or support allies and friends if threatened.

The United States must be prepared and willing to enlarge diplomatic, military, and economic efforts globally to guarantee security in the Pacific Rim and be prepared to expand aid to developing countries. The baseline for this plan should reaffirm President Truman's belief that, "our help should be primarily through economic and financial aid which is essential to economic stability and orderly political processes."⁵⁹ There must be a commensurate effort to ensure that a robust information campaign is developed to exploit success, marginalize failure, and address advances by China. Concurrently, the United States must engage in direct discussions with China to reach consensus on issues of mutual interest and seek common ground to address areas of friction. The United States should maintain and reemphasize its "One China" policy and be prepared to make concessions to facilitate continued dialogue between China and Taiwan that leads to peaceful reunification.

America is already in an ideological and economic struggle against a nation that could, in the not too distant future, become a credible regional military threat with potential global implications. China is steadily buying influence, expanding its economy and consolidating its global position through diplomacy and trade while American corporations (and American consumers, knowingly or not) pour millions of dollars into the Chinese economy. This has resulted in the United States becoming China's top

trading partner with over \$386 billion in total trade in 2007, and a growing U.S. trade deficit with the China.⁶⁰ The United States is funding China's economic miracle, which provides the resources that are modernizing its military, influencing Asian affairs and providing assistance to governments around the world that may not necessarily be friendly toward the United States.

The emergence of China as a great power is not, by itself, threatening to the United States. Within decades, China will likely become a significant global economic competitor, while their near term ability to supplant the United States militarily remains to be seen. The danger arises when China is left unchecked and allowed to block American access to key allies and trade in Asian markets.

Conclusions

The relationship between China and the United States in Asia is the challenge for American security in the 21st century. American policy in Asia as a whole, and toward China specifically, will affect for generations relations with nations around the world and determine the influence, or lack of influence, the United States will enjoy in both international bodies and in bilateral relationships.

Understanding the development of Chinese policy is crucial to understanding how the PRC will engage with the United States. The argument that prevails internally, and its lead champion, will likely emerge as the power broker in China. Regardless of who wins, the end result will be a more nationalistic and assertive China. Understanding this can provide an inroad to American diplomatic efforts. Whatever face China eventually chooses to take on, they will likely never be our friend, but they need not be our enemy. The two nations have mutual interests that span the globe. China's

economic competition in the international market is healthy, and its military modernization, if combined with greater transparency, does not necessarily pose a threat to the United States.

To engage effectively with China, mitigate a potential regional threat in Asia, and cooperate in the larger global arena, all elements of national power must be aligned toward a defined achievable objective. The United States must be prepared to assume the mantle of international leadership, be ready to foster new alliances and to rebuild old ones based on common goals. Whenever vital interests are at stake, the United States must be prepared to meet old adversaries as friends and to face old friends as adversaries if the cause warrants.

The United States is at a crossroad in its relations with the People's Republic of China. The right course may provide the key to economic and military stability in Asia well into the 21st century. The wrong course poses the potential for greater international competition for influence and resources on a scale reminiscent of the Cold War. Either option will have tremendous economic and military implications for the way the United States conducts its affairs in Asia for the foreseeable future.

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